

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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APRIL 5, 1933

President Requests Big Relief Program

Army of 250,000 Unemployed Would Be Recruited to Carry Out Reforestation Plan

CALLS FOR GRANTS TO STATES

One Feature of Plan Is a Program of Public Works by Sale of Bonds

In another special message sent to Congress on March 21, President Roosevelt outlined his views on one of the most pressing problems confronting the nation today, unemployment relief. Bills embodying most of his recommendations have been presented to the two legislative bodies and it is expected that the entire program will come up for congressional action within a very short time. By his plan, the president hopes not only to provide adequate relief by the federal government to those who are in distress but he wants also to put a large number of men to work as soon as the program is accepted. One of the main features of his relief program calls for the recruiting of a quarter of a million men to work restoring the forests of the nation.

Reforestation Program

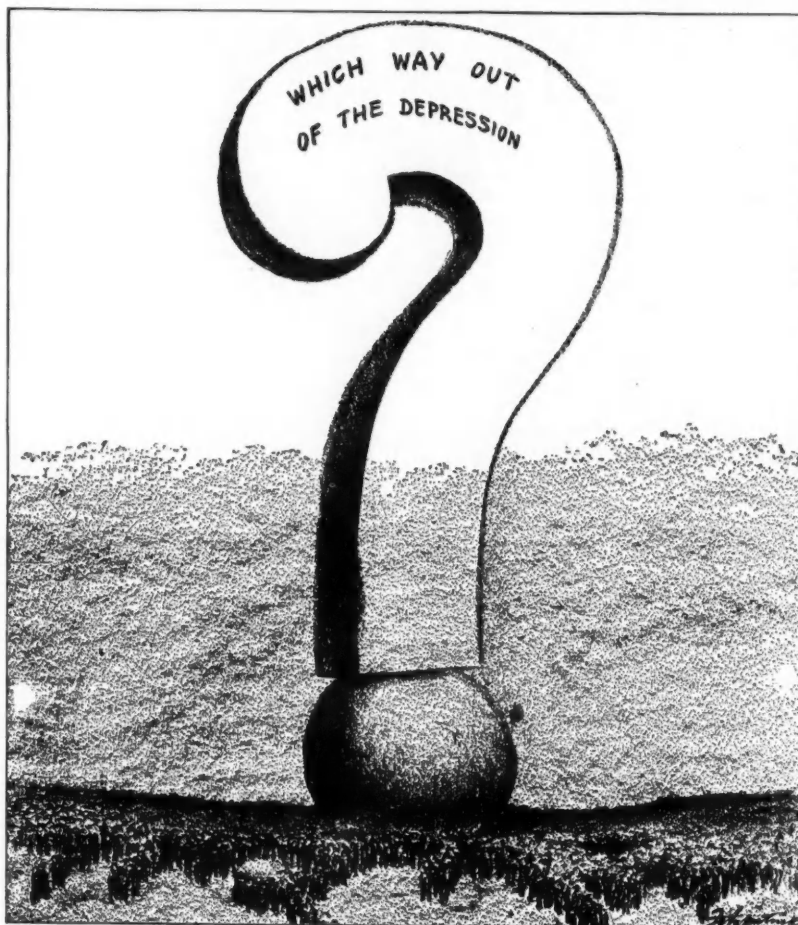
This first part of the president's program would give effect to the view long held by Mr. Roosevelt that reforestation and kindred projects offer a broad avenue for the employment of men. He expressed this view repeatedly during the campaign and reiterated it emphatically in his inaugural address in which he declared:

It (unemployment relief) can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our national resources.

According to the terms of the original bill designed to carry out the president's reforestation program, an army of 250,000 unemployed men would be enlisted by the government for the period of one year. The men would be organized along lines similar to those which prevail during war time. They would be placed under certain rules and regulations just as the army is subjected to disciplinary regulations. Instead of furnishing the men with uniforms, the government would give them clothing. It would supply all their food and lodgings and pay for their medical care in case of illness. In addition, the men would be paid a dollar a day in wages for the work they would do. The expenses involved in carrying out the program would be paid from a \$200,000,000 treasury fund which has already been set aside for public works.

But unlike an army recruited in time of war, these men would not be sent out on a campaign of destruction. They would be mobilized to go into the national and state forests to plant new trees, to repair trails and roads and to prevent soil erosion. Crews of them would be sent into the sections of the country which are constantly menaced with floods to build up the banks of the canals and rivers. Thus, although resembling war activity, the program would be constructive for it would build

(Concluded on page 8, column 1)



—Fitzpatrick in St. Louis Post-Dispatch

THE QUESTION OF THE HOUR

On Being Principled

There are people who profit by experience. There are others who do not. There are those who, when they face crises, remember how they have met similar crises in the past. If their previous efforts were successful they adopt like practices again. If their earlier ventures failed, they change the program and do a bit of experimenting. They thus develop general rules or standards to go by. After a while their experiences will have covered a wide range. They will have come into possession of rules which will carry them through almost any emergency. They have thought out most, or at least many, of the problems they will have to meet. When a time for action comes they act in accordance with the standards which they have built up. They may be said to be principled. They have philosophies of life. There are others who lack either intelligence or character enough to build a philosophy of life. They have as many experiences as do their principled friends, but they learn no lessons from these experiences. They do not study the results of different acts and then generalize as to which sorts of behavior are best. When a new situation arises they deal with it on the impulse of the moment. They act as if similar problems had not been met before. They act capriciously. They have no ruling, guiding standards against which each day's conduct is to be squared. They may not be unprincipled in the common sense of that term. They may not choose courses which are selfish or base or ignoble on all occasions. But they are unprincipled in the sense that they are not held to a steady and dependable course by adherence to predetermined rules of conduct. The unprincipled person will resort to little dishonesties and follies which seem to offer, and may actually offer, immediate rewards. The man of principle will scorn temporary advantages which involve the violation of trusted standards. He will see that, in the long run, greater satisfactions will come through adherence to rules of honesty and fair play. Without being priggish and without being so rigid in his rules as to make an automaton of himself he will get into the habit of acting according to standards and of working for results which are to be realized over a long period of time. These two types are to be found in political as well as private life. Many of our politicians are pleasant and well meaning men, whose weakness as public servants lies in their opportunism. Lacking the poise and steadiness which come from long reflection, they lose sight of major objectives and methods in looking for present gains. The man or woman, boy or girl, who wins the enduring confidence of associates, is the one who acts in accordance with ideals which have stood the test of reason and the test of time. Such a one is governed by principle rather than caprice or chance.

Roosevelt Is Urged to Recognize Russia

Advocates of Change in American Policy Say Our Exports to Soviets Would Increase

BUT OPINION DIFFERS WIDELY

Opponents Deny Trade Argument and Cite Propaganda Issue

As part of the new deal, President Roosevelt is being urged to extend formal diplomatic recognition to the government of Soviet Russia. Such action is vigorously advocated by exporters who hope thereby to increase American trade with Russia and by many people who believe that there is no longer any valid reason for our refusing to exchange ambassadors with Moscow.

The president is known to have an open mind on the subject. He has indicated, however, a willingness to study the evidence on both sides of the question and to act accordingly. The decision must be made by him. The Constitution gives to the president and not to Congress the power to send and receive ambassadors. The only congressional action would come afterward since the Senate must confirm ambassadorial appointments and both houses must approve appropriations for the maintenance of embassies and consulates. The Senate, also, would have to sanction any trade treaty which the president might negotiate with the Soviet government.

Would Change Policy

If President Roosevelt recognizes Russia he will reverse a policy which has been steadfastly adhered to by our government for more than fifteen years—ever since the Communists seized power over Russia in 1917. The successive administrations of Wilson, Harding, Coolidge and Hoover have consistently refused to have anything to do with Moscow. The United States and Soviet Russia, figuratively speaking, have never been on speaking terms with each other. Our government is the only one among the larger nations which has persisted in this attitude. One by one, all the other major powers have sent their ambassadors to Moscow and received envoys in return.

During recent years, however, sentiment in favor of recognition has been increasing in this country. A change in our policy has been advocated from two main sources. There are first the business men, the exporters, who see in Russian recognition an opportunity to expand our trade with Russia. They contend that the American business man is handicapped by the government's attitude. Selling to Russia is made difficult, they say, by the absence of consuls to facilitate shipments of goods and to procure information regarding the requirements of the Soviet Union, and by the general state of unfriendliness dividing Washington and Moscow. Because of our government's attitude they charge that millions of dollars in trade are slipping through their fingers and going to countries which have recognized the Soviets. In proof of these assertions these business men and exporters—who are supported by such congressional leaders as Senator Borah of Idaho, Senator Robinson of Arkansas and Speaker Rainey of the House

of Representatives—point out that our exports to Russia have declined by 89 per cent in the last two years. During the first nine months of 1930 we sold \$116,556,000 worth of goods to Russia while during a corresponding period in 1932 the total was only \$12,414,000. Part of this decline, it is admitted, is due to the world-wide depression. But, it is said, during the same period the combined exports of Great Britain, Germany and Italy to Russia increased by 39 per cent. While we have been losing, these countries have been gaining.

The second source of sentiment in favor of recognition is not so much concerned with trade statistics. It is composed mainly of liberal organizations and individuals. It is the conviction of these people that the argument against Soviet recognition is without foundation and that there is no reason why a more cordial relationship should not exist between Washington and Moscow. Before examining their arguments let us see why the United States has refused to recognize Russia in the past.

Recognition Requirements

Our government holds, and has held since 1917, that the Soviet government has failed to meet the conditions which we insist must be fulfilled before we can recognize any foreign government. These conditions or requirements are three in number: 1. The government desiring recognition must be in full control of the administrative machinery of the state. 2. It must have the general consent of the people. 3. It must have the ability and willingness to discharge its international obligations, that is, it must do its duty by other nations and have proper respect for their rights. The form of government is not an issue. It may be a democracy, a monarchy, a dictatorship or a socialist state. That is not our business. But our government does insist that the three above-mentioned requirements be fulfilled.

How has the Soviet government met these tests? It would seem that there can no longer be much discussion over the first two. There is not the slightest doubt that the government in Moscow is in complete and undisputed control of the country. Likewise, it may be said that there is a general consent on the part of the people. Millions of Russians, doubtless, are opposed to the Communist form of government. However, they have accepted it for more than fifteen years and it seems reasonable to state that the Russian peasant is at least as well and perhaps better off under the Soviet system than he was under the czars.

The Barrier

It is the third condition which is the principal barrier to American recognition of Russia. Our government maintains that

the Communists, while admittedly able, are unwilling to discharge their international obligations—to do their duty as members of the family of nations. We hold that the Soviets have not respected the rights of other nations and that therefore we cannot recognize them. Our attitude in this respect is based on three points:

1. The Soviet government has failed to respect the rights and property of foreigners as required by international law. Before the Russian Revolution of 1917, Americans owned property in Russia valued at about \$60,000,000. After the revolution all this was confiscated by the Soviet government without compensation to the owners. We hold that restitution must be made if we are to recognize Russia.

2. Before the Communists came into power our government made loans to two Russian governments, the czarist government and the provisional government of Kerensky established after the fall of the czar and overthrown a few months later by the Communists. These loans, or war debts, total about \$284,000,000 without interest. The Soviet government has refused to accept responsibility for them. Our government insists that a settlement must be made and that the Soviets must honor the obligations of former Russian governments.

Propaganda

3. The last grievance is considered by far the most important. It is the issue of Communist propaganda. The American government maintains that the Communists are not respecting the rights of other nations when they seek to plant the seeds of Communism in all parts of the world. The Communist party in Moscow, which controls the Soviet government, has frequently stated that it hopes for a world revolution that will result in a universal adoption of Communism. There is an organization in Moscow, the Third or Communist International, whose sole function it is to spread propaganda and to do all in its power to bring about a world revolution. The Soviet government has always declared that it has no connection with the Communist International and that it is not responsible for its acts. It is our government's attitude, however, that since the Soviet government and the Communist International are controlled and connected by the Communist party, it is an evasion of the truth to say that the one is not concerned with the activities of the other. We hold that we cannot recognize a government which seeks to undermine our institutions and to overthrow our government.

These are the main reasons why our government has refused to extend recognition to the Soviet Union. How are they replied to by the liberals—the second source of sentiment in favor of recogni-

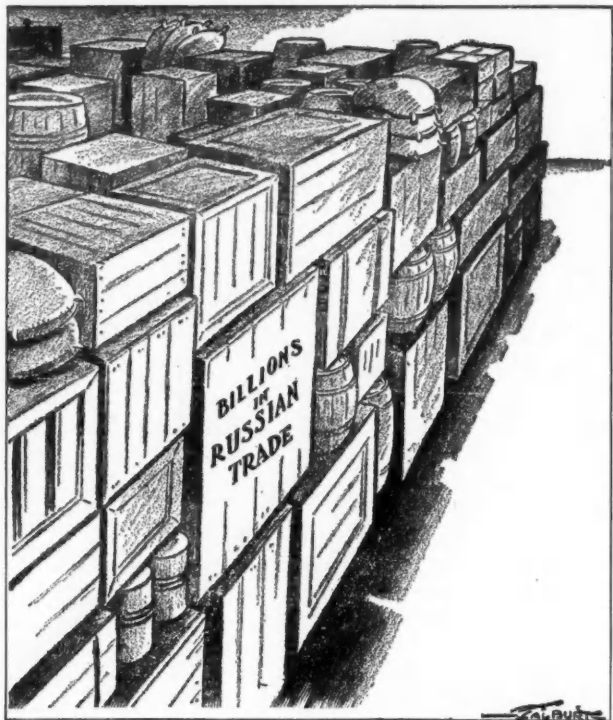
tion? To begin with, they point out that the first two points have lost much of their importance. War debts owed to the United States are not expected to be paid in full by any nation. And the Soviets have offered to negotiate this question along with that embodied in the second point, the issue of confiscated property. However, they insist that we must extend recognition to them before negotiations can be begun and we must also agree to discuss their counter-claims against the United States. These claims, the amount of which has never been revealed, arose out of the American military expedition into Russia in 1919, intended for the protection of refugee Czechoslovak soldiers.

But while the problem of debts, confiscated property and Russian counter-claims have constituted a difficulty, it is really the third point which has stood in the way of Soviet recognition. Those who favor a change in our policy reply to it by saying that our recognition or non-recognition of Soviet Russia can have very little actual effect on the matter of propaganda. It is not necessary to have an embassy and consulates to spread propaganda. It is held that the Communists can distribute whatever information they wish or can endeavor to incite revolution about as well without recognition as with it. But why, it is asked, is there so much clamor about Communist propaganda? There has been an amazingly small growth of radical sentiment in this country even in this time of depression when so many people are out of work. The Communist candidate in the last election could muster only about 70,000 votes, not enough to give cause for fear of revolution.

What Is Recognition?

Not to recognize Soviet Russia, it is argued, is to act stupidly. Recognition does not imply approval. Because we happen to disagree with a nation is no reason for refusing to receive an ambassador. At this moment we are in the midst of a controversy with France and other countries over defaulted war debt payments. We are having trouble with Japan over treaties. Yet have we recalled our envoys from Paris and from Tokyo? Recognition, it is said, only means taking account of the fact that a foreign government is in existence and that communication with that nation should be facilitated through the exchange of ambassadors.

The dangers of a policy of nonrecognition, it is maintained, is evident when we consider that American attitude toward Russia has hampered negotiations looking to a settlement of the Manchurian dispute. When the League of Nations recently established a committee of twenty-one to conduct the negotiations and asked the cooperation of the two great non-



—Talburt in Washington News

WOULD RECOGNITION INCREASE OUR TRADE WITH RUSSIA?

member states, the United States and Russia, the Soviet government refused to join in the work. It took the position that since it was not recognized by other countries (meaning America) it could not very well cooperate with them.

The Other Side

So much for the arguments of those who are urging the president to make a change in American policy toward Russia. It must not be forgotten that there is another side and a very powerful one. It is represented by such strong organizations as the American Federation of Labor, the Daughters of the American Revolution and the Roman Catholic Church. It is further represented by millions of Americans who fear the menace of Communism. They are ready with replies to all the arguments which their opponents may make.

With regard to possible trade advantages they say that the exporters and business men are fooling themselves. No one, they say, can do business with Russia unless he is willing to sell on credit over a period of several years. Russia does not export enough goods to pay for heavy imports and the only way she can buy what she needs in large quantities is to buy on credit. In recognition of this the governments of Great Britain, Germany and Italy have guaranteed their citizens doing business with Russia that at least a good part of what is sold on credit will be paid for. The exporters in those countries have the assurance, therefore, that if it turns out that the Soviet government does not pay, their own government will reimburse them for a large share of the loss. That is the reason, it is said, why the exports from Great Britain, Germany and Italy to Russia have increased while America's have declined. Those opposed to recognition point out that our government would be unlikely to offer such guaranties to American exporters and that in the absence of this assurance that payment will be made, little or no increase in American exports to Russia may be expected as a result of recognition.

With reference to the argument over Communist propaganda, the opponents of recognition reply that it makes little difference whether the spreading of propaganda is made easier with or without recognition. The issue lies deeper than this. It is a matter of principle. We should have nothing to do with a neighbor who would like to tear our house to pieces. We should not have dealings with a nation which fosters irreligion and which forces its people to work against their will. A number of Russian products, they say, are derived from forced or slave labor. These goods should not be accepted in world markets in competition with the goods produced by free labor.



OPERA HOUSE SQUARE, MOSCOW

© Ewing Galloway

Site of the Moscow Art Theatre where Russians may find entertainment at an extremely low cost.



HERE is the record of Congress during the third week in March. Received president's message asking immediate legislation for unemployment relief through reforestation program, and first Roosevelt executive order, consolidating five federal agricultural organizations with the Farm Board in new \$2,000,000,000 Farm Credit Administration.

SENATE. Voted California earthquake relief loans. Held committee hearings and debated Robinson-Wagner bill embodying Roosevelt reforestation program to employ 250,000 men with unexpended balances of public building funds already appropriated. Debated administration farm relief bill already passed by House. Passed Robinson-Steagall State Banking Bill with Bulkley amendment extending Federal Reserve privileges to nonmember state banks. Took up Wagner-Costigan-LaFollette \$500,000,000 relief bill, approved by Roosevelt, for direct grants to the states under a federal relief administrator. Foreign Relations Committee reported favorably on St. Lawrence Waterways Treaty, and considered proposal for American adherence to the World Court.

HOUSE. Voted California earthquake relief loans. Passed administration farm relief bill, granting sweeping powers to Secretary of Agriculture Wallace and combining features of the cotton option plan, the domestic allotment plan and the government rental of land plan to reduce acreages, cost to be met by tax on processing. Took up administration reforestation program, reported favorably by Committee on Education and Labor. Passed Robinson-Steagall State Banking Bill with Senate amendment and sent it to the president. Passed beer bill for the District of Columbia. Committee on Foreign Affairs considered resolution authorizing president to declare arms export embargoes.

Beer on April 7

On March 22, President Roosevelt placed his signature on the beer bill, which he had earlier requested to be passed. Under the provisions of this bill, all states which do not have laws to the contrary, will be permitted, starting April 7, to sell beer or wine containing as much as 3.2 per cent of alcohol.

Holding Back

President Roosevelt's farm relief bill, which was passed in the House of Representatives on March 22, has not yet received the approval of the Senate. It has met a storm of opposition in that body, mainly because of the high tax which it would impose upon the consumer for the benefit of the farmer. But in spite of the many attacks launched against the bill, the general belief prevails that it will be pushed through the Senate, possibly in an amended form if White House pressure is applied.

New Trial

A new trial has been granted to Thomas J. Mooney, who sixteen years ago was given a life sentence in prison after being convicted on the charge of having a part in the bombing of the San Francisco Preparedness Day parade in which ten persons were killed and forty injured. He was indicted on two similar charges but as he was convicted so quickly on the first charge he has never been tried on the second indictment. With startling unexpectedness, however, Judge Louis H. Ward of the Superior Court in San Francisco, has decided to give Mooney an opportunity to prove his innocence on the remaining charge. If the prisoner can do so, this will be taken as evidence of his innocence of the first charge and it is thought that the possibility of his being pardoned will be greater.

Since Mooney's confinement to prison, a great mass of evidence has been gathered in the attempt to prove that he did not have a fair trial. Two outstanding witnesses, who at the time testified to Mooney's guilt, have since admitted perjury. The Wickersham Commission, which Hoover appointed during his administration, reported that "flagrant violations of the statutory law of California" were committed by those who prosecuted Mooney. And now the present district attorney, Matthew Brady and his assistant, William Murphy, have refused to prosecute the new case on the ground that Mooney's "former conviction was unjustified," and "that there is not at this time evidence available that would support a conviction."

Hitler Is Dictator

As was expected the German Reichstag adjourned until April 1, 1937, when new elections are promised. The members of this body decided upon the action by a vote of 441 to 94. Thus, Hitler's command has been obeyed. He is now free to put through his program without the interference of parliament or even of President von Hindenburg, who, it is said, has been stripped of his former authority.

Disagree

The "Buy American" campaign supposed to help American labor and industry is emphatically opposed in a statement just issued by the American Manufacturers Export Association. "Trade is a two-way process," declares this statement, "in which a nation must buy as well as sell. The 'Buy American' campaign would bring about the opposite of what is intended by throwing a very large body of American workers out of employment—and this nation will eventually lose whatever foreign trade it has left."

Gaining Momentum

In 1924, Congress passed the child labor amendment to the Constitution, prohibiting industrial labor by persons under eighteen years of age. Few states, however, have ratified this amendment. It has been argued that such a law would be a violation of individual and state rights. But now when it is estimated that several million workers under eighteen are seriously competing with millions of unemployed adult workers, the arguments against the child labor amendment are diminishing. Four states—Ohio, Oregon, North Dakota and Washington—have ratified the amendment this year, bringing the total to ten, and nine other states now have the measure pending before their legislatures. There is no time limit for ratification, and states which have already defeated the amendment may reconsider their action.

Japan Resigns

The Japanese government has sent its formal resignation to the League of Nations. The notice of withdrawal stated that "the Japanese government has come to the conclusion that it can no longer cooperate with the League." According to a provision of the League Covenant, however, two years must pass before Japan's resignation goes into effect, and if at any time between now and then she decides to reverse her decision, a formal notice to this effect will reinstate her.

This latest Japanese move opens the question of what to do about the former German Pacific islands which the League of Nations temporarily placed under Japanese supervision after the war. The Japanese government now declares that it will not return these islands to the League. This threat is extremely pertinent due to the fact that the question of territorial revision has been brought to the fore by Premier Mussolini's plan to maintain the peace of Europe. (See page 7.)

In Defense

Yosuke Matsuoka, leader of the Japanese delegation's dramatic withdrawal from the League of Nations meeting at Geneva in February, has arrived in the United States en route to Tokyo, and has laid the Japanese case in Manchuria before the American people. The whole world's attitude toward China, he said, is mistaken because it is based on the "fiction" that China is capable of being a self-governing nation. He enlarged upon this statement by saying that China is composed of many warring elements, each one determined to rule the other. Therefore, he said, Manchukuo and Jehol are more peaceful under Japanese supervision than they were under Chinese domination.

Secret Negotiations

The disarmament conference at Geneva has adjourned until April 25 in order that

"private conversations" can be carried on among the various nations relative to the British plan—proposed by Prime Minister MacDonald a few weeks ago—and to the Mussolini plan (see page 7). Therefore, while the conference is formally in adjournment, the efforts for disarmament will be continued with even greater force.

First Economy Step

President Roosevelt took his first step in the direction of governmental reorganization last week when he issued an executive order consolidating all agricultural credit agencies of the federal government into one unit to be called the Farm Credit Administration. In addition, the order called for the abolishment of the Federal Farm Board, whose stabilization operations are estimated to have cost the government \$300,000. Mr. Henry Morgenthau, Jr., who has been head of the Farm Board under Roosevelt, has been appointed director of the Farm Credit Administration. The consolidation will include the Federal Land Banks, the Joint Stock Land Banks, the Federal Intermediate Credit Banks, the seed loan operations of the Department of Agriculture and the crop-production financing of the Reconstruction Finance Corporation. An annual saving of \$2,000,000 will result from this reorganization, and President Roosevelt believes that by unifying the operations of these agencies they will be of much more aid to the farmers than at present.

Tariff Expert

President Roosevelt has secured the services of Dr. Frank W. Taussig of Harvard University to aid him in working out a tariff policy looking toward a reduction of rates to countries which will make similar concessions to the United States. Dr. Taussig was formerly chairman of the United States Tariff Commission and has long been considered one of the country's leading experts on all matters relating to tariffs.

Banks Reopen

Of the 19,296 banking institutions in the country closed by President Roosevelt's emergency action, approximately 15,300, or more than three fourths, are open again. A national survey shows that of those still closed, 1,500 are members of the Federal Reserve System and 2,600 are nonmembers. A large number of those now open are still under certain restrictions.

Lippmann Looks Forward

Declaring that mankind is "in the midst of one of the greatest revolutionary periods of history," Walter Lippmann, New York Herald-Tribune special writer, told a Charter Day meeting at the University of California that "upon our generation and its successors the task is imposed of discovering and organizing and establishing a multitude of new relationships among the peoples of this planet. It is clear that we have moved into an age when conscious, deliberate direction of human affairs is necessary and unavoidable. We live in a great age, and we are put to the test whether we can be worthy of it. If we can be, our lives will be set upon a plane, not of individual calculation on a heritage of complacent contentment, but of insight and sacrifice and relentless self-discipline, and we shall leave to those who follow us an example of fortitude and the memory of great deeds."

Lost Purchasing Power

It has long been a matter of common knowledge that a large volume of purchasing power has been lost during the depression, but the extent of this loss has not been known. The National Industrial Conference Board, an economic research organization of New York, has now assembled the statistical data required for measuring the loss in the purchasing power of industrial workers, including average reduction in wage scales, shortening of weekly worktime, decline in employment

and rise in the buying power of the dollar because of falling prices. Computations based on these data indicate that purchasing power available today, at today's wages and prices, is only 46.3 per cent of what it was in 1929.

The Conference Board studies show that since 1929 industrial wage rates have been reduced 19.3 per cent; that working hours of employed workers have been shortened on the average 26.9 per cent; and that the volume of employment has declined 43.4 per cent. When these factors are combined, it is found that the industrial population as a whole, including both employed and unemployed, is receiving only 33.4 per cent as many dollars in wage income as in 1929. But in the meantime prices have declined, with the result that a dollar goes further than it did three years ago. This fact is taken into account by adjusting the amount of income received according to the decline in prices represented by the cost of living index.

New Policy

A drastic change is taking place in the Department of Labor since Miss Frances Perkins has become head of this branch of the government. For one thing she has discontinued the undercover work which has cost the Labor Department \$200,000 a year and which has aroused bitter comment from many sources. The purpose of this service was to spy on foreign visitors who might be overstaying their permits in this country. In addition, aliens who had lived and worked in this country for a number of years would be suddenly accused of certain minor disqualifications and deported to their native lands. This policy of the Labor Department gained for it a reputation of "snooping." So Miss Perkins' action in eliminating the entire secret service division has been widely acclaimed. Moreover, she is reorganizing nearly all the various functions of the department in an attempt to make it a more vital and valuable agency than it has been in the past.

Great Lakes Waterway

The Senate Foreign Relations Committee has approved the St. Lawrence Waterway Treaty by a vote of 14 to 2. It is now expected that the pact will be considered at this session of Congress. Negotiated with Canada last summer by the Hoover administration, the treaty provides for the joint construction of a huge navigation and power project on the St. Lawrence River at a total cost of \$540,000,000. This amount would be divided about equally between the two countries. Those in favor of the waterway contend that the farmers of the Middle West and the North could ship their products to the East and to European countries at much lower rates than they are now able to by train. This is disputed by many, however, and stiff opposition is anticipated when the treaty comes up for ratification in the Senate.

Oil Conference

At the request of President Roosevelt, Secretary of the Interior Harold Ickes, invited representatives from all the leading oil states to meet in Washington last week to discuss plans whereby the 200,000-barrel daily surplus may be reduced. Great animosity was shown between the independent producers and the major companies at the conference. The independents claimed that the large companies were attempting to monopolize the industry, and the large producers argued that the present demoralized state of the petroleum industry is due to the ruthless competition of the independents. Nevertheless, all producers realize that unless the amount of oil extracted from the soil each day is greatly reduced, prices will continue on the downward spiral. Therefore, desperate efforts are being made to effect a compromise between the conflicting groups so that a plan can be worked out for a drastic curtailment of production in this industry.

Mussolini Predicts

On March 23, all Italy celebrated the fourteenth anniversary of the founding of Mussolini's Fascist party. A message by Premier Mussolini was broadcast throughout the nation. He expressed the belief that in a few decades most European countries will discover that the Fascist principles of government produce the best results; that strong central governments are more capable of ruling nations than democratic governments.

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NO. 29

As the Editor Sees It

MUCH has been made of the hopeful spirit which has prevailed during the last month. There is no question but that the despair of the panic days gave place, following the decisive action of the new administration, to optimism. The belief has been general since then that the long-expected "corner" has been turned and we are now on the upward path. This state of mind is an encouraging sign. The buoyant spirit means much at a time like this, but it does not mean everything. Its permanence depends upon the hard facts of the market. Optimism is not a sturdy plant. It soon withers when it springs from a barren soil. Discouragement will come again unless hopes are soon transformed into reality, unless unemployed men and women can go back to work, unless prices move upward, unless there is an increase in the sale of goods.

The actual trade figures during March were not encouraging. They could not have been, because the closing of the banks throughout the nation at the first of the month checked business everywhere. The result is that business figures are bad. Production has been falling off, and unemployment has been increasing.

In order that the promise of better times may not turn out to be a mirage in the desert, something must be done to increase purchasing power. The idle money which is in the banks must be set to work. People must be given jobs, so that demand for goods may be increased. Money and credit are available. Banks could make loans if they felt that the loans were safe. But the loans are not safe unless they are made to establishments which can find markets for their goods.

MANY people have turned eyes of hope upon the revived brewing industry. The making and selling of beer will furnish work for the idle, so they say. Beer will bring back prosperity.

Hopes of this sort are exaggerated. If the money which will be spent for beer were money which would not otherwise be

spent for anything else, the return of beer would bring a trade revival. This would be the case if people were to pay for beer with money which had been hoarded—which had been lying idle in banks, or mattresses, or tin cans. Unfortunately there is little ground for the belief that there is any considerable amount of money in the country which has been put away to await the time when it might be spent for mugs of beer.

People who will now buy legalized beer have been spending their money either for illegal beer or for something else. The beer will be substituted, with rare exceptions, for other products, for milk perhaps, or soft drinks, or for any of hundreds of other articles. No new purchasing power is added by the return of beer.

An impetus is being given by the legalization of beer to certain activities. Breweries are being revamped. Employment is being given in these breweries. It is being given to those who haul the beer to retail establishments. Employees are in some cases being added to hotels and restaurants and other retail establishments handling beer. These increased activities represent a real temporary gain in industry. The initial increases are being made before the selling of beer begins. The competition with other industries will be noticed later when the inevitable decline is felt in the case of products with which beer competes.

The question of taxation is something else. The tax on beer is, of course, a sales tax, but it is one which people will willingly pay. Consequently, it does afford the hard-pressed government a source of easy revenue. It should be observed that President Roosevelt, in asking for the legalization of beer did not promise that such action would contribute to trade recovery. He asked for it as a revenue measure.

THE president's reforestation program looks more definitely in the direction of increased purchasing power. The money which is being spent in this enterprise is not being taken from any other productive

activity. It will be carried on with funds now in the possession of the government or the Reconstruction Finance Corporation. This money was raised by selling bonds to American investors—principally the banks. It would not have been used in private industry, because there is not enough demand from private industries which can make money with borrowed capital. The government is therefore setting idle credit to work. It is setting into motion an industrial activity which would not otherwise have been carried on. It is starting new operations. It is putting money into the hands of men who will spend it for food and clothing and other supplies. Purchasing power is being increased. Business is being stimulated.



THE ARMY HAS A GENERAL NOW

—Fitzpatrick in St. Louis Post-Dispatch

IF the government uses its credit to extend operations of that kind—if it launches governmental activities of increasing proportions, putting larger and larger numbers of men to work, it will be further adding to purchasing power, further increasing the demand for goods, further stimulating business. It is my opinion that a substantial hope for business recovery will be justified by these increasing governmental operations.

It is not to be assumed, however, that programs whereby the government credit shall be used for public building and for direct relief to the unemployed, can be carried through without determined opposition. It appears that most business leaders oppose a sweeping program of such governmental operations, and their influence usually determines legislation. This influence may be actively combated and defeated by the Roosevelt administration. If so, the achievement will be a most unusual one.

The weight of opinion among successful business men inclines to the view that the government should go into business as little as possible. It should leave the industrial field to private enterprise. It should conduct its necessary operations as a private corporation would. It should cut its expenses as much as possible. Opposed to this idea is the notion that the government, unlike a business corporation, operates, not for profit, but for public service. It is wise, therefore, according to this view, for the government sometimes to spend money freely, not in order to make more money, but in order primarily that men, women and children may be saved from suffering; and secondarily in order that forests may be developed, that roads may be constructed, that slums may be cleared. The controversy over the relief program of the administration will involve basic principles of government and society.

IT is very hard to tell what has been going on in Germany, since the overthrow of the republic by Hitler and his followers. Rumors of the wildest sort have gained currency. Reports have been conflicting. The truth has been hard to discover, because of the censorship which has been imposed upon the German press. It appears, however, that the German situation is substantially as follows:

For months the Nazis, led by Hitler, have waged attacks upon the Jews, the Communists, the Socialists. They have spread suspicion against these classes, just as the Ku Klux Klan in America a few years ago spread suspicion against Catholics and Jews and Negroes. The Nazis, unlike our Ku Klux Klan, came into power. They not merely assumed control of the government, but they overthrew the government. They did away with the constitution established after the World War at Weimar. They did away with the republic, and established a dictatorship.

Under these circumstances violence against the hated classes was to have been expected. Revolution, like war, encourages bestiality. Revolution, like war, is vio-

lence. In times of revolution, as in times of war, reason, moderation, consideration for opponents, vanishes. Violent passions are unleashed. And so we find that in Germany bands of Nazis, with the encouragement of the government, entered homes, destroyed property, in some cases took lives.

Then followed a wave of protest all over the world. The Germans issued denials. They scolded foreigners for meddling in their affairs, but they took some note of the protests. They took notice when foreigners cancelled sailings on German vessels, when they cancelled orders for German goods, when world opinion was turning so strongly against them. Efforts seem then to have been made by the government to stop the physical attacks against the Jews and other unpopular classes. Jews and Communists are still being deprived of civil rights, however. Professors are being obliged to resign from university faculties. Physicians are being driven from hospital staffs. Jewish stores and shops are being boycotted.

What will be the future course of affairs in Germany? Will the Hitler dictatorship continue its oppressions at home and its threats of aggression abroad? There is reason to believe that after revolution settles into stability, after the dictator strengthens his position, he may take a more moderate and responsible course. That is what happened in Italy after the revolution which placed Mussolini in power. It is what happened in Italy after the revolution in Russia. Mussolini put down opposition relentlessly for a while and rattled the sword against his neighbors. Then, as he became more secure, he turned to more constructive activities at home and abroad. We may hope that the German firebrand will follow a like course.

A LETTER from a California subscriber tells us that our story of the earthquake was grossly exaggerated. Our correspondent explained that the larger and better built structures in the earthquake zone were unharmed and that communities were, as a whole, far less affected than our account would lead our readers to suppose.

The facts upon which we based our story were taken from the news dispatches from the earthquake zone. In handling a situation of this kind we are obliged to depend upon the newspapers for authority. When we deal with political, economic and even international problems we are able usually, because of our location in the national capital, to get first-hand information and to take counsel with responsible leaders of action and opinion. Naturally, we have no such ready access to the truth when we report a far-off earthquake disaster.

If our earthquake story were exaggerated, we are both glad and sorry—glad that the damage was less than we had thought and sorry that we fell inadvertently into error in presenting our account.—W. E. M.



THE INTERNATIONAL HOSPITAL

—SUNDAY EXPRESS, London

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

Recent Books

DEMOCRACY IN CRISIS. By Harold J. Laski. Chapel Hill, N. C.: University of North Carolina Press. \$1.50.

This volume is an expansion of three lectures delivered at the University of North Carolina on the Weil Foundation. The work opens with a chapter on "The Illusion of Security" in which the genuine contributions of liberalism to modern civilization are duly considered and its startling shortcomings calmly surveyed. Five years ago, in the great days of Coolidge prosperity, these initial pages would have been deemed a kind of impertinence—an illusion, in fact. Everybody in the United States, except debt-burdened farmers, felt secure with good wages, high salaries, and "safe" investments; that is, nearly everybody, for there were many shadows in the scene. Now the bitter truth is realized—the paper superedifice of American civilization, despite its iron appearance, was paper after all, as holders of defaulted bonds, engraved stock certificates, and deposit books impounded know well enough, by the thousands and millions; and as millions of unemployed know also. Mr. Laski will, therefore, be heard, not gladly, of course, but respectfully.

In his second chapter, Mr. Laski reviews representative government, notes signs of decay, and inquires whether it is competent to the great economic tasks ahead. Here he has grave doubts. The third chapter deals with "Authority and Discipline in Capitalist Democracy." Can capitalism as operated in a democratic system provide a fair distribution of the benefits of civilization and is it compatible with the principle of human equality which underlies universal suffrage? Mr. Laski answers in the negative. If this is the upshot, then is revolution the way out? In chapter four Mr. Laski discusses briefly "The Revolutionary Claim." He points out that the traditions of liberty in England and United States run contrary to the conception of dictatorship, whether of the right or left; and he expresses the opinion that a system which might work in Russia or Italy would not necessarily work in countries where the liberal theory and practice have long been

accepted. Revolution is a cruel and wasteful way of making great changes in society and is not to be lightly welcomed. If those who have power and intelligence will make the requisite sacrifices, then security, peace, and well-being can be won.

Mr. Laski's book, though clearly written, is not light reading for young students. He is familiar with English and American history and continually makes allusions which presuppose a wide knowledge of affairs in both countries. But he writes soberly and firmly, so that patient students cannot miss his meaning. While his emphasis is mainly on English experience, the principles discussed are a part of the heritage of the English-speaking world. They are first principles and, as Thomas Jefferson was wont to say, it is necessary to return to them from time to time. Doubtless this is a time for a frank facing of life's realities and so Mr. Laski's book is decidedly opportune.

CHARLES A. BEARD.

THE MARCH OF DEMOCRACY. Volume Two. From Civil War to World Power. By James Truslow Adams. New York: Scribners. \$3.50.

This is the second and final volume of "The March of Democracy." It covers the period from the beginning of the Civil War to the election of Franklin D. Roosevelt. The first volume, called "The Rise of the Union," published last fall, covered the period from the early beginnings of our history to the Civil War.

These two volumes offer teachers and students an excellent history of the United States. There is a very satisfactory balance of economic, social and political material. The pages are well illustrated and the story is rendered vivid by the frequent reproduction of newspaper headlines and cartoons.

"The March of Democracy," unlike the author's "Epic of America," is not intended as an interpretation of American history, but as a factual record. It is not a dry recital of facts, however. There is quite a little explanation or interpretation, of which this comment, thrown in with the story of Theodore Roosevelt's anti-trust activities, is typical: "Big business does not want honest government, and so long as government is not honest and the laws are not justly and impartially administered, every business man, even if he desires to be honest, finds himself caught in the system of great or petty graft and bribery."

This history is progressive in point of view. The events and movements are well woven together so that a very effective picture of developing American life and institutions is presented. There is quite a little personality interest. Altogether these two volumes are attractive, dependable and readable. They should be included in every list of necessary vol-



ACROSS THE CONTINENT—THE FRANK LESLIE TRANSCONTINENTAL EXCURSION
(An illustration from "The March of Democracy," Vol. II.)

umes for the American history library.

ONE MORE SPRING. By Robert Nathan. New York: Alfred A. Knopf. \$2.00.

In the hands of one less skilled than Robert Nathan, a plot such as that of "One More Spring" would be dull and banal, but this young American writer makes of it a powerful piece of literature worthy of the time and attention of the most discriminating reader. This is a story of the depression reduced to the terms of human lives. The four main characters are caught in the wheels of deflation, bank failures and unemployment. Mr. Otkar, an oldish antique dealer who was stripped of all his terrestrial possessions save an incommensurable bed which no one would buy, moves into Central Park in the heart of New York City in the company of Mr. Rosenberg, a young violinist whose art is not sufficiently appreciated to bring in bread and butter. In a tool shed, scarcely large enough to hold the bed, the stranded men set up housekeeping. One evening, as Mr. Otkar is attempting to filch some food from the park casino, he runs across a young woman on a similar mission. Elizabeth and the two men live as best they are able during the winter months. There is a brief interlude when they share their lodgings with a Mr. Sheridan, bank president rescued by Mr. Otkar from an attempted suicide in the lake.

With the skyscrapers as a background and the breadlines and other phenomena characteristic of contemporary New York, Mr. Nathan has painted a picture of sylvan tints. Obviously, it is a picture shaded with satire against the existing social, economic and political order. But it is satire without ranting cynicism; it is realism without the slightest touch of sordidness; it is beauty and fantasy without the usual tinge of gushing sentimentality. More than anything else, it is a retention and reiteration of that faith in the things of life that really matter.

JUMA OF THE HILLS. A story of West Africa. By Erick Berry. New York: Harcourt, Brace. \$2.00.

This is a story of West Africa and its inhabitants; in particular, the story of Juma, a native girl, of her capture by slave raiders, of her escape and her return to her own people. It is an adventurous tale, picturing village life, customs and beliefs. It, therefore, enables one to understand a part of the world concerning which most people know very little. But aside from that, it is worth while because of its interest as a first rate story for boys and girls with the plot laid among strange peoples and places.

From the Magazines

A NEW DEAL IN FOREIGN POLICY? By Frank H. Simonds. *Harpers Magazine*, April, 1933. "Like the World War in the case of Wilson," declares Mr. Simonds, "the depression has compelled Roosevelt to stand or fall on his foreign policy," and Roosevelt's decisions on "reducing foreign policy to the limits of traffic in a one-way

street" may decide the Democratic fate in 1936. One of the major Republican mistakes since the World War, in the opinion of Mr. Simonds, has been an attempt to maintain "the economic precepts of McKinley and the political principles of George Washington" in a changing world. "To buy American for a hundred per cent" he points out, "is to sell American for less than thirty," since European countries cannot both pay debts and pay for our exports unless they also sell their own exports. American isolation may be desirable but is impracticable, since "the Hawley-Smoot Tariff was the natural forerunner of the conventions of Ottawa" and helped force the debtor nations into a basic community of interests that "has been pleasantly described as 'ganging tactics.'"

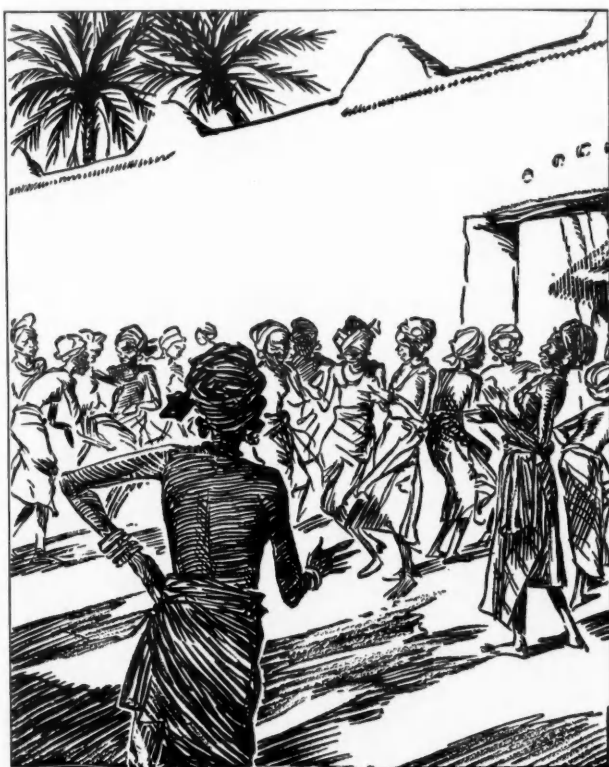
REBUILDING THE RUINS. By William S. Howe. *North American Review*, April, 1933. "Hitler has made almost a majority of the German people feel that the way to cure all their evils is to smite the Jew, and even today a large section of the American people seems to believe that a return of beer will bring happiness into a troubled world."

IMPENDING CHANGE IN RUSSIA. By W. H. Chamberlin. *Fortnightly Review*, London, January, 1933. The second five year plan, just beginning in Russia, will see a slowing up of the "tempo" of the intense industrialization program of the Soviet state, and relaxation of the present tremendous physical and psychological strain on the nation.

THE SOCIAL PRESSURE OF UNEMPLOYMENT. By Percy Alden. *Contemporary Review*, London, March, 1933. "There is just one commodity which we must all admit is still in demand. There is no superfluity of working-class houses of the cheaper kind; there is, however, a superfluity of slums, side by side with an increasing number of unemployed."

REFORMS IN INDIA AND THE DEPRESSED CLASSES. By Prof. J. Coatman. *The Asiatic Quarterly Review*, January, 1933. It was the English principle of the equality of citizens before the law that laid the foundations of political freedom for the depressed classes in India. Under Hindu laws, some 50,000,000 Indians are outcaste "Untouchables," whose right to hold office in the legislatures has been consistently opposed by the Hindu leader, Gandhi, himself.

THE QUESTION RAISED BY TECHNOCRACY. By F. B. Housser. *The Canadian Forum*, Toronto, March, 1933. "It seems reasonable to think that when the present system goes, as all other systems before it have gone, the scientific approach to industrial and economic problems which the technocrats are using will prove of inestimable value to the makers of the new order."



Finally the entire space was filled with groups, each dancing in and out of its own interweaving figure.

AN ILLUSTRATION FROM "JUMA OF THE HILLS"



SOCIAL SCIENCE BACKGROUNDS

Discussion of Various Types of Inflation

By Harold G. Moulton

IF we are to understand whether so-called inflation is likely to occur and what its significance might be we must first consider what is meant by inflation and then study the process

Kinds of Inflation

by which it may be brought about. The term inflation, as commonly employed, is a very loose expression implying a rapid rise in the prices of commodities in general, a rise produced by some monetary stimulus. This stimulus might conceivably be the result of any one of several methods of monetary manipulation. Let us illustrate. The most direct and the most effective means of producing a rapid rise in prices is for the government to manufacture irredeemable paper money and pay it out directly to the people—either in meeting government obligations or as gifts to the public. By saying that this money is irredeemable we mean that the government holds no gold or silver for which the currency could be exchanged. If only a small amount of such money is issued prices are not likely to be affected at all, but if it is issued in large amounts prices will rise for two reasons.

First, the increased quantity of money in the hands of the people available for spending results in an increase in demand for commodities, and prices tend to rise. Second, the knowledge that this paper money is irredeemable makes people recognize that it is not as good as gold. Hence, merchants in pricing their goods set a higher price if the payment is to be made in irredeemable paper money rather than in other money redeemable in gold. The more the government issues the greater becomes the depreciation of this irredeemable paper money and the higher become the prices of commodities.

The results of this sort of inflation are always disastrous. It has occurred on many occasions in various countries, particularly as a result of the financial strain imposed by wars. After the World War a large number of European countries passed through a period of inflation of this kind, and in some cases the currency ultimately became worthless. Ultimately a paper mark became worth something like one trillionth of a cent. When such depreciation of currency occurs all business is demoralized; the value of investments is destroyed and nearly all classes of people are impoverished. The German people today would regard another period of inflation as the greatest evil that could befall them.

A second method of inflation involves the expansion of currency in the hands of the people through the rapid expansion of bank loans. When a bank makes a loan to an individual the usual procedure is not for the individual to draw actual money out but to take a deposit account against which checks may be drawn. As checks are written to purchase supplies or to meet payroll requirements this so-called deposit currency gets into the channels of circulation and is

available for the purchasing of commodities. Since such loans are, however, commonly made for the purpose of increasing the production and hence the supply of commodities, it will be seen that there could be no important effect upon the price of commodities as a result of changes in the relation of demand and supply. It should be borne in mind also that this credit or deposit currency is normally redeemable in gold or in paper money which is exchangeable for gold. Hence, merchants have no occasion for marking up prices to compensate themselves for being paid in depreciated currency.

Whether prices will rise at all as a result of an increase of currency derived from bank loans depends entirely upon the general state of business confidence. If things look favorable and business men rapidly increase their borrowings from the banks there is a tendency for demand to outrun supply in many lines of business. Hence prices gradually rise. This is what happens in every period of prosperity. Properly speaking, such a rise in prices should not be attributed to any monetary policy, because the expansion of loans really depends upon a generally favorable business situation. In other words, an improvement in business is a prerequisite to expansion of this kind.

Let us now look at the present situation to see what type of inflation, if any, is imminent. It is clear that the banks are not expanding their loans with a view to increasing the purchasing power in the hands of the people. On the contrary, the closing of many banks has, for the time being at least, decreased the amount of loans that might otherwise be made. While the banking system as a whole will be able to expand loans, it is safe to say that they will not do so until general conditions be-

come such as to make new loans relatively safe. The first responsibility of the bank is to protect the deposits; hence loan applications must be carefully scrutinized. Failure to give proper attention to loan policies is, of course, one of the primary reasons for the difficulties in which so many banks have found themselves involved.

The other method of inflation that has been discussed, namely, that of issuing irredeemable paper money in large volume direct to the public, is not at this time in prospect. The new administration has, as a first objective, the preservation of the credit of the government. The effort to balance the budget involves a further restriction of government outlays. Not until there is definite evidence that the government is embarking on a great program of relief, with the funds being provided by the manufacture of paper currency, will inflation of the type discussed above be definitely in prospect.

It remains true, however, that as a result of the president's proclamation with reference to gold the United States is, temporarily at least, off the gold standard. Gold will not be sent abroad to meet foreign payments nor can an individual obtain gold from the banks or from the United States Treasury. A gold certificate which says on its back "Redeemable in Gold at the United States Treasury" will not at present be redeemed in gold if presented. The real question now before the country is whether this situation does not involve an inflationary process.

The first fact to be noted is that the American dollar is now worth less in terms of French francs, for example, than it was

before the suspension of gold payments. That is to say, the dollar has depreciated in terms of foreign currencies. Accordingly, when Americans buy imports from abroad and offer in payment paper money which is not redeemable in gold the foreigner naturally wishes to have more units than would be the case if he were paid in gold or in money as good as gold. Hence, he asks a higher price. Other things equal, therefore, the prices of all imported commodities would tend to rise. This increase in the cost of imported commodities would tend to cause a marking up of prices on manufactured goods made from these imports and thus the effects of the initial rise in prices of imports would be extended.

The prices of export commodities would also be affected, though in a different way. Immediately speaking, the depreciation of the dollar in terms of foreign money would mean that more goods could be bought in the United States for the same amount of money than formerly. To use the common expression, the United States would become a good market in which to buy. As foreign demand for our goods increased, the tendency would be for the prices of exports to rise.

If we are to have inflation, therefore, it will be because the dollar remains depreciated in terms of foreign currencies.

In consequence, there will be a rise in the prices of export—and particularly of import—commodities which would result in a spread between domestic prices and export and import prices in terms of the dollar. Such a development will not, however, occur unless the general sentiment of the business community changes for the better. If other conditions continue to remain bad or should become in some respects worse, the stimulating effects suggested above might be completely nullified.

It will be interesting to note in this connection what happened when Great Britain went off the gold standard in September, 1931. For a period of four months prices rose by about 6 per cent—while the depreciation of the pound amounted to about 25 per cent. Thereafter, prices again declined and, although the pound is now nearly 30 per cent below its normal value, prices are no higher than they were in August, 1931. The effects were, in fact, nullified by other factors in the situation which were of adverse character.

It is not likely that the effect of a depreciation of the dollar would have as much effect upon prices here as did the depreciation of the pound in England. This is because foreign trade, where the price effects manifest themselves, is much more important in Great Britain than it is in the United States. In any event, whether we have an increase in prices in the near future will depend more upon a constructive economic program which the government may be able to develop during the next few months than upon the temporary abandonment of the gold standard.

Effects of Gold Suspensions

Possible Future Course



THE GOLD RUSH OF '98

The discovery of gold in the Yukon helped to bring an end to one of the strong inflation movements of our history—that sponsored by William J. Bryan.

© Ewing Galloway

Treaty Revision Issue Tests European Diplomacy

At no time since the writing of the peace treaties which closed the World War has the international diplomatic situation been more tense or more interesting than it is at this time. Last week we recorded the proposals for peace and stability which were offered by Premier Mussolini of Italy. The Mussolini plan has not been made public in detail, but in brief it contains the suggestion that the four strongest powers of Europe, France, Germany, Italy and Great Britain, confer as to means by which peace shall be maintained. It provides further that these nations recognize the need for a revision of the peace treaties—for a revision of some of the boundary lines.

If the plan provided for nothing more it would certainly be unacceptable to France, for the French feel that they will be secure from attack only so long as Germany is held in check. Before the war Germany had made an alliance with Austria-Hungary. Turkey, Bulgaria and Serbia were in a position of subordination, so that German power extended in a broad belt through central Europe. "Berlin to Bagdad" was the German cry. So long as Germany held a domain of this kind, she was so powerful as to be a constant threat to France. As a result of the war, the German allies were dismembered. Germany herself lost territory to Poland, Czechoslovakia, Rumania and Yugoslavia were given territories out of the Austro-Hungarian and Bulgarian domain. It is in the interest of France, as the French conceive it, that these newly established nations, or these enlarged nations, be maintained as a bulwark against the spread of German influence.

What does the Mussolini plan have to offer France if some of the territorial lines are to be revised? It offers that in case stability is established through revisions Germany, Italy, Great Britain and France

will guarantee anew the integrity of each nation. In other words, England, Germany and Italy will guarantee France against attack. If these nations should guarantee France against attack, and especially if the United States should join in a guarantee to go to the aid of a nation which was the victim of an aggressor, France might feel relatively secure. Even so, she would have a fear that if Germany were able to unite with Austria and Hungary and if these nations should take back territory from Czechoslovakia, Rumania and Yugoslavia, Germany might become so strong as to threaten France, regardless of treaties.

But France is not the only nation which looks with suspicion upon the Mussolini plan. Czechoslovakia, Rumania and Yugoslavia have already united in an alliance called the "Little Entente." These nations look to France for leadership in opposing territorial revisions, but they are not satisfied to depend always upon France. They are a little bit suspicious of her. They are afraid that she may some day desert them in return for concessions from the big powers. So they are developing their own strength, and it is a strength which must be taken into account, for

their combined population is 50,000,000—a population greater than that of France and close to that of Germany. If Poland is added, and Poland's interest in many ways is similar to theirs, the combined population of the countries is more than 80,000,000.

These smaller nations are offering stout resistance to the Mussolini plan. They do not want the four great powers to take up the task of redrawing the map of Europe. They do not want the question as to whether the map shall be redrawn to be so much as considered by these major powers. They insist that all such questions shall be handled in the League of Nations, for in the League Assembly and the League Council they, too, have voices.

World diplomacy comes, therefore, to a very severe test. It was possible for the nations to compromise regarding reparations and even regarding German armaments, without giving up anything absolutely vital. It would be possible for them to compromise about German colonies and other provisions of the treaty. It is very hard, if not impossible, for them to compromise about the redrawing of territorial lines. The reason is that along the boundaries of Poland, Germany, Czechoslo-

vakia, Austria, Hungary, Rumania, Bulgaria, Yugoslavia, there are peoples who feel themselves to be deeply grieved and oppressed. Bitterness and hatred are so deep and intense that an American, far away from the scene, can hardly comprehend the situation. If any boundary line is changed other peoples along these boundaries will feel just as deeply grieved. All nations are stirred up over the issue now. They will still be stirred up if changes are made. The task of diplomacy appears then to be to convince the Germans, the Austrians, the Hungarians, the Bulgarians, that a situation will be brought about under which territorial changes may be made,

and at the same time to convince the peoples of Poland, Czechoslovakia, Rumania, and Yugoslavia that they have no need to fear that territorial changes will be made. So long as this bitterness continues great numbers of people will be planning to seize territory by force. If territorial changes are made other peoples will be planning to change them back by force, and while such plans are under way no people in Europe will feel secure. Until they feel secure they will not want to reduce armaments. Such is the situation with which European diplomats are wrestling in Geneva, in Paris, in Berlin, in Rome and in the other national capitals.

For the first time since the World War, travelers in France will now find silver coins again in everyday use. New silver ten-franc pieces, worth about forty cents and about the size of American quarters, and twenty-franc pieces about twice as large, have been coined by the French government to a value of a billion and a half francs (or \$75,000,000) and are ready to be put into circulation at an early date.



—Drawn for the AMERICAN OBSERVER

EUROPE BEFORE AND AFTER THE WAR—THE TERRITORIAL CHANGES MADE BY THE PEACE TREATIES

THE MONTHLY TEST

Covering issues of March 8, 15, 22 and 29.

Below you will find the names of ten persons who have been mentioned in The American Observer during the past four weeks. In the second column is a list of descriptions, ten of which fit one or another of the names. The problem is to fit the appropriate description to each name. For instance, if Rainey is the new ambassador to England, your answer to the first question would be (K).

- | | |
|--------------------|--|
| 1. Rainey | (K) ambassador to England. |
| 2. Woodin | (I) a premier who visited Rome in an effort to preserve peace in Europe. |
| 3. Hugenberg | (R) assistant secretary of state. |
| 4. Daladier | (J) secretary of the interior. |
| 5. MacDonald | (Q) former enemy, now an ally, of Hitler. |
| 6. Bingham | (T) leader of Japanese delegation at Geneva. |
| 7. Wallace | (F) ambassador to France. |
| 8. Matsuoka | (H) director of the Federal Farm Board. |
| 9. Morgenthau, Jr. | (O) speaker of the House of Representatives. |
| 10. Perkins | (X) French premier. |
| | (M) secretary of agriculture. |
| | (Y) director of the budget. |
| | (L) secretary of the treasury. |
| | (S) president of France. |
| | (Z) secretary of labor. |

In the case of each of the following ten questions, make up your mind which phrase, if used to complete the sentence, would make it a true statement of fact; then write on your answer sheet the number preceding that phrase. For instance, in question 11, if the true statement is: "The farm relief bill provides a bonus to farmers on wheat and cotton crops," the answer to the question would be (1).

- The farm relief bill provides for (1) a bonus to farmers on wheat and cotton crops (2) the fixing of farm prices by law (3) appropriations to the states for farm relief (4) the leasing of farm land by the government.
- Premier Mussolini has proposed a four-power conference to settle the question of (1) armaments (2) tariffs (3) war debts (4) treaty revision.
- The victory of Hitler turned Germany definitely toward (1) republicanism (2) a dictatorship (3) communism (4) a monarchy.
- As one step toward balancing the budget Congress has authorized (1) an increase in taxes (2) higher tariffs (3) a reduction of compensation to war veterans (4) the elimination of the Department of the Interior.
- As an emergency measure during the banking crisis President Roosevelt ordered (1) the return of all gold and gold certificates to the banks (2) the printing of additional paper money by the government (3) the closing of all except national banks (4) a moratorium on debts.

- Italy has given evidence during recent weeks of aligning herself with (1) Poland (2) France (3) Yugoslavia (4) Germany.
- The new secretary of labor favors (1) advanced social legislation (2) the conservative policies of the American Federation of Labor (3) socialism (4) big business.
- In an attempt to settle a South American dispute the Council of the League of Nations has issued a report condemning the action of (1) Colombia (2) Paraguay (3) Peru (4) Bolivia.
- President Roosevelt's plan of attack on the depression includes (1) a government subsidy for the railroads (2) a program of public works (3) tax reduction (4) government operation of banks.
- The British prime minister has made a radical proposal to the arms conference urging (1) total disarmament (2) reduction of all armies to Germany's present level (3) an arms agreement giving Germany parity with France (4) a ten-year arms holiday.

For the following group of ten questions read the descriptions in column 1. Then select the proper name for each description from the list in column 2. For instance, if Lausanne is a free city under the supervision of the League of Nations, the answer to question 21 would be (1).

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|---|-------------------------|
| 21. A free city under the supervision of the League of Nations. | 1. Lausanne |
| 22. A city badly damaged by a recent earthquake. | 2. Elbe |
| 23. A nation in which a campaign of terrorism is being directed against the Jews. | 3. Reichstag |
| 24. A country whose union with Germany is forbidden by the post-war treaties. | 4. Geneva |
| 25. A city where the conference was held at which the nations agreed to abolish German reparations. | 5. Italy |
| 26. A river along which a demonstration was staged that might easily have led to war in Europe. | 6. Houses of Parliament |
| 27. The capital of Colombia, one of the highest cities in the world. | 7. Thames |
| 28. A parliament building partly destroyed by fire. | 8. Danzig |
| 29. The state from which the new secretary of state comes. | 9. French Parliament |
| 30. A nation whose government the United States does not now recognize. | 10. Buenos Aires |
| | 11. Tennessee |
| | 12. Russia |
| | 13. Dail Eireann |
| | 14. Austria |
| | 15. Bogota |
| | 16. Virginia |
| | 17. Tokyo |
| | 18. Seine |
| | 19. Long Beach |
| | 20. New York |
| | 21. San Francisco |
| | 22. Rhine |
| | 23. Poland |
| | 24. Turkey |
| | 25. Germany |



—Courtesy U. S. Forest Service

THE GREAT BASIN OF THE TENNESSEE WHICH PRESIDENT ROOSEVELT PLANS TO DEVELOP SO AS TO GIVE HOMES AND JOBS TO THOUSANDS OF PEOPLE

President Requests Big Relief Program

(Concluded from page 1, column 1)

up and preserve rather than tear down and destroy the national resources.

The president and his advisers who have worked out this program believe that it would accomplish the good results of war without bringing about any of its devastating effects. For war does give men jobs. Not only are large numbers of men called into the service, but also there is a greater demand for all sorts of goods to feed and clothe the soldiers. As a result, prices rise; all industries work at top speed and full employment; and general prosperity prevails. Now, it is thought, the absorption of a quarter of a million men in such work, although only a small fraction of the total number of unemployed in the country today, would tend to stimulate business and make for more prosperous conditions.

Objections Raised

The bill as it was originally introduced did not meet the approval of everyone. Before the joint committee of the House and Senate which was considering the measure, a loud cry of protest was raised by certain members of Congress and by representatives of organized labor. It became apparent at the outset that the bill was not acceptable to the labor organizations and that they would do everything in their power to defeat it. Principal among the objectors was the American Federation of Labor, an organization representing the skilled workers of the nation, such as the unions of bricklayers, masons and carpenters.

The American Federation of Labor, through its president, William Green, objected to the bill on three grounds. In the first place, it asserted that the proposed dollar a day wage would tend to draw down wages of all labor and thus lower the standard of living of the American worker. The second objection to the organization of a civilian conservation corps was that it would throw the higher paid labor out of work since the government might use this cheap labor on all types of public construction. Finally, the objection was raised that it is undemocratic in time of peace to resort to tactics such as the recruiting of an army and

placing the men under strict rules and regulations.

Provisions Made

Because of this stout opposition, the original bill was redrafted when it came up for consideration by the Senate Committee on Education and Labor. The most objectionable features were removed. Instead of fixing a definite wage scale, the revised bill provides that the president shall have power to fix the amount of compensation. He is also given power to organize the men as he sees fit. The bill is so worded as to make it primarily a relief bill rather than an unemployment program. In this way, the president is given almost a free hand in the working out of details. The Federation of Labor has accepted these revisions and believes that by leaving the fixing of wages up to the president and by considering the program as a relief measure, the government will not be setting a bad example to private industry.

It is possible, under the new bill, that the men will receive no more than the \$30 a month provided in the original plan. But the president and his supporters believe that these "cash allowances" to the workers will in no way tend to lower other wages. They point out that the army of men will be put to work at jobs which no one is filling now and which otherwise would not be filled. Moreover, they assert, it is better for the government to employ a greater number of men at relatively low wages than a smaller number at higher wages. The government must choose one of these courses because of the limited

funds at the disposal of the national treasury. And, the supporters of the bill say, \$30 is not such a low wage considering the fact that the men will receive their food and clothing and all their living expenses. This will enable a married man with a wife and family to send most of his money home.

Direct Relief Bill

The second main feature of the Roosevelt unemployment relief program has also been presented to Congress. A bill embodying the president's wishes on direct relief was introduced in the Senate last week. It was sponsored by Senators Wagner of New York, Costigan of Colorado and LaFollette of Wisconsin. This bill provides for the granting of \$500,000,000 to the states for direct relief. \$200,000,000 of this sum would be divided among the states on the basis of their relief expenditures of the last three months, each state receiving from the federal government a sum equal to one-third the amount it has spent for relief during that period. The remaining \$300,000,000 would be given to the states according to their needs.

A second feature of the Wagner-Costigan-LaFollette bill is the appointment of a relief commissioner to take charge of all grants to the states. Thus, instead of having the directors of the Reconstruction Finance Corporation decide upon the disbursement of funds as it has done in the past, the commissioner named by the president would have exclusive jurisdiction in the matter. The R. F. C. would merely provide the funds.

Now, it can be seen, this bill calls for

drastic modifications in the relief policies of the national government. Heretofore, no federal funds have been given to the states for direct relief. The government has confined its activities to the lending of money to assist the states, insisting that the state governments repay every cent of the loans. But President Roosevelt feels, as many members of Congress have felt for a long time, that the relief burdens today are entirely too great for the states alone. He thinks that the time has come for the federal government to share the costs by making outright gifts to the states rather than to continue the policy of lending.

Public Works Program

Details of the third part of the Roosevelt relief program have not yet been laid before Congress but in his recent message on relief the president declared that he was contemplating a "huge public works program to absorb a part of the unemployed. It is well known that the 250,000 men to be taken into the forests of the nation will make only a slight dent in the ranks of the jobless, for it is estimated that there are at least 12,000,000 men and women out of work at the present time. The president believes that a considerable part of these may find work building roads and bridges and other public construction and possibly in slum clearance work in a number of the large cities.

In order not to undo the work accomplished by the economy program—the slashing of federal salaries, the cutting of veterans' compensation and the reorganization of the government's bureaus and agencies—the president has suggested a method of raising the funds for these various projects. Mr. Roosevelt believes that the money for the public works program and for the gifts to states should be raised by the selling of bonds. In his opinion, these are extraordinary expenses which should not be charged to the ordinary costs of running the government. Thus, he would include in the regular federal budget only the regular expenses of operation, such as the payment of salaries and the maintenance of the ordinary activities. All emergency items of expense, such as grants for relief and public employment projects, would be financed by the sale of bonds, the costs of which would be met over a period of many years. In this way, the government's budget would remain in balance, and the federal credit would remain unimpaired.



—Courtesy U. S. Forest Service

IMMEDIATE EMPLOYMENT IS TO BE AVAILABLE TO A QUARTER OF A MILLION MEN RESTORING THE NATION'S FORESTS